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FROM THE AMBASSADOR FOR THE PRESIDENT

E.O. 12958: DECL: 04/28/2018

TAGS: [PGOV](#) [PREL](#) [SNAR](#) [PTER](#) [ETRD](#) [ECON](#) [KCRM](#) [MASS](#) [MARR](#)

MOPS, PM

SUBJECT: PANAMA: SCENESETTER FOR PRESIDENT'S MEETING WITH PANAMANIAN PRESIDENT TORRIJOS

Classified By: Ambassador William A. Eaton. Reasons: 1.4 (b), (c), and (d).

Summary

¶1. (C) President Martin Torrijos will meet with you on May 6 at the White House in the hopes of revitalizing his administration's initiatives in which our bilateral relationship plays a significant role. Panama's primary season is now in full swing, Torrijos cannot run for re-election, and Panama's general elections will be held on May 3, 2009. U.S. ratification of the U.S.-Panama Trade Promotion Agreement (TPA) will top Torrijos' agenda, though he will also be looking for assistance in advancing his social agenda. The U.S. should take advantage of this meeting to underscore our desire to see Panama's next elections strengthen its democracy, reiterate our commitment to ratify and implement the TPA, and to address security issues, particularly the recent kidnapping of a U.S. citizen who was kidnapped by criminal elements associated with the Revolutionary Armed Forces of Colombia (FARC). Torrijos last met with you on February 16 in the Oval Office.

Panama's Political Scene

¶2. (C) Torrijos is constitutionally prohibited from running for re-election in May 2009 (though he may run again after a 10-year absence from the presidential palace). These elections will lead to the fifth peaceful, democratic transition since democracy was restored in 1989 in the wake of OPERATION JUST CAUSE. Though he himself cannot run, Torrijos and the Revolutionary Democratic Party (PRD) are striving to break the pendulum effect in Panamanian politics that, since Noriega was removed from power, has replaced the governing party with the opposition in each of the past four elections. Torrijos, who recently won re-election as PRD Secretary General, has set as his core political goal

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securing the election of the PRD candidate so as to ensure the continuity of his reformist policies. These elections,

however, are unique in that neither the governing PRD nor the opposition has an obvious successor to assume leadership.

¶3. (C) The PRD has scheduled its primary for August 17, and two PRD candidates -- Panama City Mayor Juan Carlos Navarro and former Minister of Housing Balbina Herrera -- have already officially launched their campaigns for the party's presidential nomination. (Other minor contenders may declare their candidacies but, at this time, would have little chance of defeating either Herrera or Navarro.) Navarro, a centrist member of the PRD, draws his support primarily from Panama City, has worked assiduously for years to cultivate Panama's interior and to build a nationwide political machine, and is stronger among professionals, businessmen, and elites.

Herrera, a member of the PRD's left-wing "Tendency (Tendencia)" faction, was Torrijos' Minister of Housing until April 27, lacks a structured campaign apparatus, and is very popular with working class and poor Panamanians. In the 1980s, Herrera was Noriega's Mayor in San Miguelito, Panama's second largest municipality located on the outskirts of Panama City. In 1992, Herrera organized demonstrations against your father during his first visit to Panama following OPERATION JUST CAUSE. Torrijos has not endorsed either candidate and is unlikely to do so any time soon.

¶4. (C) Herrera currently leads the national polls. A few short weeks after her campaign launch, Herrera toppled Democratic Change (CD) presidential candidate Ricardo Martinelli from the lead that he had sustained in the polls for over two years. According to one poll, Herrera leads Martinelli by ten points (28 percent vs. 18 percent), though a second poll over roughly same period gave Herrera only a 1.3 point lead (21.6 vs. 20.3). Inside the PRD, Herrera appears to hold a commanding lead over Navarro leading him 25.1 percent to 13.2 in one poll and 45 percent to 31 percent in another poll. Significant numbers of undecided voters, however, still remain on the sidelines. This year's PRD

primary is likely to be more bruising, more costly, and more likely to leave behind bitterness that could complicate efforts to unify the party for the general elections.

¶5. (C) The opposition panorama remains murky. The largest opposition party, the Panamenista Party, will hold its primaries on July 6 and its two leading candidates remain deadlocked. CD's Martinelli remains at the top of the polls in the opposition, but is currently alone and at the helm of his untested political machine, one of the newest parties in Panama. Efforts to form opposition alliances have been for naught to date as smaller parties refrain from aligning with either the eventual Panamenista nominee or Martinelli.

Torrijos' PRD presently confronts a divided opposition. The U.S. is not taking sides in the upcoming elections, but rather is underscoring the need for free, fair, and transparent elections that further strengthen Panama's democracy.

TPA to Top Torrijos' Agenda

¶6. (C) Undoubtedly, Torrijos will raise U.S. ratification of the bilateral U.S.-Panama Trade Promotion Agreement (TPA). In the wake of the September 1, 2007 election as National Assembly President of Pedro Miguel Gonzalez (PMG), who is under U.S. federal indictment for the 1992 murder of a U.S. serviceman, the prospects for rapid U.S. congressional approval eroded significantly. (Panama National Assembly ratified the treaty by a wide 58-3 margin in July 2007.) Today, the Embassy is hearing from high-level PRD contacts that PMG will not/not run for re-election on September 1, but rather will step down. Were PMG to step aside, a significant irritant to U.S. congressional approval would be removed. Torrijos will assure you that PMG will not run for reelection and that were he to attempt to run for reelection that he would be defeated. In striving to assure you that PMG no longer presents an obstacle to TPA ratification, Torrijos will likely press for Panama's TPA to jump the queue and be presented to the U.S. Congress for approval. The Embassy has

consistently reiterated that, given the Administration's policy of submitting the trade agreements to Congress in the order in which they were signed, there was little chance of putting the Panama deal ahead of Colombia in the queue. At this stage, as the PRD is striving to show PMG the door, it would be best to not comment publicly on PMG's re-election, but rather to simply comment that the U.S. and Panama remain committed to implementing this important bilateral trade agreement.

Canal Expansion Project Continues

¶7. (C) The U.S. has applauded Panama's leadership in expanding the vital Panama Canal to ensure its continued ability to handle ever greater traffic and commerce. In September 2007, the Panama Canal Authority (ACP) formally launched the USD 5.25 billion expansion project, which is planned for completion in 2014. U.S. firms have thus far competed successfully for expansion-related work, including a seven-year project management deal won last August by Denver-based engineering firm, CH2M Hill. Four consortia are currently bidding for an estimated USD 3 billion design/build contract for the construction of the Canal's new, much larger locks. One consortium is U.S.-led (Bechtel), while the other three consortia have minority U.S. participation. Bids are due in October, after which the ACP expects to decide the winning consortium by the end of December 2008. Our expectation is that U.S. supplies and services in support of the canal expansion would receive full and fair consideration, regardless of the winning consortium for the construction of the new locks.

Support for Torrijos' Social Agenda

¶8. (C) Torrijos will also seek continued U.S. support to advance his social agenda. While Panama has enjoyed phenomenal economic growth in recent years, the rising tide has not lifted all boats. GDP growth has been incredible topping 11 percent last year, unemployment has been reduced by about half since 2003, and Panama has enjoyed strong fiscal performance. However, some 40 percent of Panamanians still live in poverty, and 16 percent live in extreme poverty. In the semi-autonomous indigenous territories (comarcas), the poverty rate is over 90 percent. Torrijos remains committed to preparing Panama to compete in a globalized economy. Through his "Network of Opportunities (Red de Oportunidades)" and his "Community Development Program (Programa de Desarrollo Comunitario - PRODEC)," Torrijos is striving to share the wealth by linking monetary assistance to school attendance and childhood vaccinations in the first program and to involve communities in solving their own problems by engaging them in the latter program to develop infrastructure projects to meet their needs. The First Lady is a strong proponent for improving education and promoting greater respect and opportunity for handicapped persons as well as other social efforts. The U.S. has a good track record in supporting Torrijos' efforts to build a more equitable society in which all Panamanians have an opportunity to fully partake in Panama's economic success story.

-- American firms - Procter and Gamble, Caterpillar, Occidental Petroleum, and Ports America - are all making major investments in Panama. U.S. investors have been attracted to Panama's long-term commitment to greater transparency and market-friendly policies, and we should continue to encourage Torrijos to stay the course on these effective policies, particularly in combating corruption that remains a serious problem that could undermine Panama's investment climate and economic progress.

-- Torrijos is likely to express concerns regarding growing inflation and the decline of the U.S. dollar, two phenomena

that are hitting Panama's dollarized economy hard, most notably in the steep increase of the cost of the basic basket of goods and the erosion of the purchasing power of the average worker.

-- In June 2007, Secretary of Health and Human Services Leavitt and Minister of Health Alleyne inaugurated in Panama City the Regional Healthcare Training Center (RHTC) to provide a forum for training healthcare professionals throughout Central America. The U.S. and Panama are committed to the RHTC's long-term success and to encouraging private sector support and participation. You can expect that Torrijos will seek more USG financial support for the RHTC.

-- In March 2008, Under Secretary of Education Sara Margaret Tucker and her counterpart signed a memorandum of understanding to promote teacher exchanges. The Department of Education will share information and models for Panama to study and frame an exchange program best suited to Panama's needs, and the Department of Education stands ready to facilitate the identification of state-level partners interested in participating in an exchange program with Panama.

-- Torrijos may also request U.S. helicopter lift from SOUTHCOM to deliver construction materials, equipment, and personnel to remote corners of Panama. While committed to facilitating such assistance, we need to tread carefully so as to not become involved in political activities in what is being an increasingly political period, but, more importantly, we need specifics and advance notice to be able to extend this kind of assistance. Periodically, Torrijos also raises requests for U.S. military engineering assistance, but we have seen few details and no follow-up and need to be cautious about remaining politically neutral.

Security: A Growing Concern

¶9. (C) The U.S. continues to enjoy outstanding law enforcement cooperation with Panama. In calendar year 2007, Panama accounted for close to 60 metric tons of seized cocaine, out of roughly 160 tons seized in the hemisphere. The U.S. and Panama have established excellent sensitive vetted units that have led to numerous arrests and the disruption of narco-trafficking operations. Our judicialized phone intercept program (MATADOR) is currently targeting close to 200 dirty cellular numbers affiliated with major traffickers and/or the Revolutionary Armed Forces of Colombia (FARC). Extraditions of fugitives wanted in the U.S. continue apace. On the negative side, our ability to work productively with Panamanian law enforcement and security entities is hampered by the lack of Panamanian resources destined to those entities. Our counterparts often depend on USG monetary assistance for fuel and other basic operational inputs.

¶10. (S/NF) There has, however, been a recent and disturbing up-tick in Revolutionary Armed Forces of Colombia (FARC) activity in Panama. On November 9, armed FARC members were captured near Puerto Obaldia. On January 24, an injured FARC squad commander was captured in Panama City. On February 22, a Panamanian National Police (PNP) launch encountered a FARC launch in Pina Bay off of La Palma in Panama's Darien Province. Following a brief fire fight, the PNP took into custody 6 FARC members who are believed to have been involved in illegal narcotics trafficking. The FARC members continue to be in custody in Panama, and indictments in the U.S. are likely. On April 4, a U.S. businessman was kidnapped from the upper class Panama City neighborhood of Costa El Este, and he is now believed to be held by the FARC in Colombia. Unfortunately, several PNP members were implicated in this kidnapping. Finally, on April 25, PNP elements encountered a decent-sized FARC detachment south of the Darien town of Jaque. Out-gunned and out-manned, the PNP broke off contact.

The situation remains unresolved as of this writing.

¶11. (S/NF) Grappling with the FARC has been a neuralgic issue for Panamanians in general as well as for Torrijos. You may hear that the Pina Bay incident was an isolated and rare incident. Similarly, you may hear that it is not clear that there are FARC linkages to the kidnapping of the U.S. citizen. Information from various Embassy elements makes the FARC tie direct and clear. USG law enforcement agencies have substantial proof and evidence of the FARC's involvement, information that has been shared with Panamanian law enforcement and intelligence agencies. The Jaque incident makes the FARC's activities in Panama hard to ignore. The FARC uses Panama as a safe haven, a drug transportation corridor and to conduct operations. Panamanians prefer that impenetrable jungles of the Darien -- the famous Darien Gap -- serve as their best defense from Colombia's illegal guerrilla groups. Ill-prepared to do anything about FARC forces operating in Panama, the Torrijos Administration, as evinced by its public comments denying a significant FARC presence in Panama, has generally been content to co-exist with the FARC. Further complicating the situation is the fact that the Torrijos Administration has closed several PNP bases in Darien Province transferring their personnel to the capital.

¶12. (S/NF) There may, however, now be an opportunity to secure Torrijos' full support for our regional Plan Colombia efforts. At Torrijos' direction, Panamanian law enforcement leadership met on April 28 with the Embassy's DEA country attache. In addition to passing the message that Torrijos wants to get serious about dealing with the FARC, Panamanian law enforcement proposed -- and we have agreed to -- establish an investigation/operation coordination center. This center would coordinate all intelligence collection against the FARC while simultaneously coordinating the assembly of case information with the goal of successfully prosecuting FARC members in Colombia, Panama, or the U.S. Torrijos may use these latest FARC activities to push for donation of U.S. helicopters to augment Panama's anemic air defense service.

¶13. (S/NF) As Torrijos and his Administration will need to be brought along gradually and carefully on this growing security problem, I would recommend that you engage Torrijos on the kidnapping of the U.S. citizen and press for greater assistance in bringing the perpetrators of this crime to justice. Having wedged open the door for engagement on the FARC, the U.S. can then press for a more open and candid discussion of the FARC threat and the best ways to meet it.

An Ally in International Fora

¶14. (C) Panama has been a stalwart partner of the U.S. in international fora. As a non-permanent member of the UN Security Council (UNSC), Panama has consistently voted with the U.S., including in tough votes on Iran and nuclear non-proliferation. Recently, Panama agreed to take the lead on a UNSC resolution concerning Somalia and piracy. In the Organization of American States (OAS), Panama, taking to heart the U.S. recommendation to "de-Chavezize the problem, crafted a resolution that moved the hemisphere beyond the diplomatic incident between Ecuador and Colombia, into which Venezuela inserted itself, following Colombia's attack on a FARC encampment in Ecuador.

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